

Executive Summary

Background

Since 1995, the U.S. Department of Housing and Community Development (HUD) has required states and localities to prepare a Consolidated Plan in order to receive federal housing and community development funding. HUD has established three basic goals for the Consolidated Plan: to provide decent housing, a suitable living environment and expanded economic opportunities, especially for low income people. In 2004, the President added two additional goals: to end chronic homelessness by 2012 and to increase minority homeownership.

The Consolidated Plan combines into one document the previously separate planning and application requirements for four federal programs – the Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), Emergency Shelter Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) funding – and the Comprehensive Housing Affordability Strategy (CHAS). A new grant program, the American Dream Downpayment Initiative (ADDI), was added this year as part of the HOME Program. These programs are called *formula programs* because HUD distributes the funds to each state based on a statutory formula that takes into account population, poverty, incidence of overcrowded housing, and age of housing stock. Consolidated Plans must be submitted every five years; more detailed action plans are required annually.

2005-2009 Massachusetts Consolidated Plan

Massachusetts expects to receive approximately \$58 million per year over the next five years for these programs, beginning with the federal fiscal year that started on 10/01/04. The Community Development Block Grant funds, which represent two-thirds of that amount (approximately \$38.6 million annually) *may only be expended* in the state's "non-entitlement" communities. These are the 326 cities and towns that are not eligible to apply for community development funding directly from HUD. (Thirty-five other communities – mostly larger cities – receive nearly \$90 million annually, directly from HUD, for which they submit their own consolidated plans.) Funding under the other four programs may be allocated statewide, although DHCD gives priority to requests from non-entitlement communities if they have priority needs and can demonstrate the ability to address them in a manner consistent with the state's strategy.

The Department of Housing and Community Development (DHCD) administers the state's CDBG and HOME programs, the Department of Transitional Assistance (DTA) within the Executive Office of Health and Human Services (EOHHS) administers the Emergency Services Grant funds, and the AIDS Bureau within the Department of Public Health at EOHHS administers the HOPWA program. All three agencies partner with local governments, public agencies, community-based organizations, and the business and philanthropic communities to achieve the goals and objectives articulated in the Plan. DHCD is the lead agency in the preparation and oversight of the Plan, which consists of the following parts: a market analysis, a housing and community development needs assessment, a strategic plan, and an annual action plan.

Massachusetts has a long history of support for, and innovation in, affordable housing and community development. Using state and federal resources, the Department of Housing and Community Development, its affiliated quasi-public agencies, more than 250 local and regional housing authorities, and a wide array of private for profit and nonprofit housing developers and

owners engage in an exceptionally high level of affordable housing activity. Each year, more than one billion dollars of federal, state, and quasi-public funds are spent to build, renovate, preserve, or subsidize affordable housing in Massachusetts.

The 2005-2009 Consolidated Plan provides the framework for the Commonwealth's continuing investment to help meet the housing and community development needs of its residents and municipalities. It lays out the state's long-term objectives and the strategies by which it will achieve these objectives, using funds received from HUD under the four programs covered by the Plan as well as other sources the state expects to have available. It identifies the state's housing and community development needs and priorities, and establishes the criteria by which projects will be selected for funding. The state's housing and community development needs were identified by citizens in public forums, interviews with program administrators, beneficiaries and other stakeholders, and a thorough analysis of socioeconomic and housing market conditions. Particular attention was paid to the needs of the homeless and those with special needs.

Housing and Community Development Goals and Objectives

The goal of the Commonwealth's housing and community and development efforts is to provide broad economic opportunity and a high quality of life for all Massachusetts residents. The six objectives established for the 2005-2009 Consolidated Plan reflect that goal:

1. Develop and maintain an adequate supply of safe, decent housing that is affordable and accessible to residents with a range of income levels and household needs.
2. Expand sustainable homeownership opportunities for low, moderate and middle income families.
3. Reduce chronic and family homelessness by providing a viable continuum of care.
4. Ensure that Massachusetts residents with long-term support needs have access to appropriate services and accessible, community housing options that maximize consumer choice.
5. Enhance the prosperity and economic well-being of all regions of the state, ensuring that economic growth is compatible with community and environment.
6. Ensure full and fair access to housing for all residents

In its execution of the plan, DHCD and its partner agencies will be guided by these five fundamental principles:

- Promote fair housing
- Promote sustainable development
- Enhance the capacity of community based organizations and local government
- Remove barriers to affordable housing production
- Improve the outcomes of government action

Recent Initiatives

In order to achieve these objectives, the Romney Administration has already undertaken the following initiatives:

- **Chapter 40B**

To respond to restrictive local zoning and land use controls Governor Romney appointed a Chapter 40B Task Force in February 2003 to reaffirm the need to increase the supply of affordable housing, assess the effectiveness of Chapter 40B in addressing the housing need and overcoming zoning barriers, identify the impacts created and determine if they were commensurate with the public benefit, and propose modifications to improve the effectiveness of the law. The Task Force, composed of members of the Legislature, housing officials, regional and municipal officials, and stakeholders representing development and environmental interests, conducted in-depth analysis and received testimony before recommending 17 modifications to mitigate impacts of Chapter 40B and improve its effectiveness. Many of the recommendations sought to address equity concerns, local capacity, improve the permitting process, reduce appeals backlogs, and improve land use through smart growth initiatives and improved local and regional planning.

- **Chapter 40R**

The systemic problem of the lack of housing supply and high land costs that contribute to the high cost of housing in Massachusetts led to historic legislative action in 2004. Governor Romney signed into law the new Section 40R to the State Zoning Act. It provides financial incentives for communities to adopt overlay zoning districts that allow high density residential development “by right” in town centers, around transit nodes and in areas of underutilized commercial, industrial or institutional buildings and/or other desirable areas for residential mixed use development.

- **Commonwealth Capital (CC)**

In recognition that local government plays a significant role in providing leadership and creating a regulatory environment that is conducive to housing growth, economic development, and environmental sustainability, the Office for Commonwealth Development (OCD) developed CC policy that coordinates and directs state capital spending programs to municipalities that promote projects consistent with Governor Romney's Sustainable Development Principles and that advance the Commonwealth's development interests. CC explicitly endorses planning and zoning measures that are in accord with Administration policy and encourages municipalities to implement them by linking state spending programs to municipal land use practices.

- **Fair Housing**

Governor Romney convened a Fair Housing Advisory Panel that is undertaking a comprehensive analysis of fair housing issues throughout Massachusetts. The Panel's scope of work includes development of a Fair Housing Mission Statement and Principles of Fair Housing, and analyzing the impediments to fair housing and recommending specific actions that will enable the state and its partner stakeholders to advance fair housing objectives. These recommendations may include, but not be limited to: education and outreach; affirmative fair marketing of publicly subsidized housing; best lottery practices; data collection for publicly subsidized housing to measure performance with respect to attainment of fair housing objectives; creating opportunities for universal access to subsidized housing; development of ongoing training opportunities for local

officials and managers; developing approaches to mitigate local hostilities toward housing development; and addressing residency preference issues.

▪ **Priority Development Fund (PDF)**

In response to the critical need for new housing units, MassHousing has created the PDF, a new source of funding that will help to increase the supply of mixed-income housing (primarily rental) without the use of new taxpayer dollars. Funds for the program, totaling \$100 million, will be provided by MassHousing, the state's quasi-public affordable housing bank, and will be used in conjunction with MassHousing mortgage loans made to real estate developers. In addition, \$3 million of the PDF is being made available in the form of planning assistance to communities seeking to increase housing production. The goal of the PDF Planning Assistance funds is to increase the supply of housing in the Commonwealth by encouraging community-based planning that will lead directly to housing production.

▪ **Transit Oriented Development (TOD)**

Another tool for housing development is the TOD Program, which was authorized by Chapter 291 of the Acts of 2004 to make \$30 million available to provide financial assistance for key components of transit oriented development: parking facilities, pedestrian and bicycle facilities, and housing. TOD is compact, walkable development centered around transit stations, designed to improve the quality of life while reducing dependence on automobiles. TOD is an important aspect to Office for Commonwealth Development's goal to promote Smart Growth. Smart Growth promotes housing and community development in optimal locations: in and around central business districts or traditional city or town centers, near transit stations, or in areas that have been previously developed for commercial, industrial, or institutional uses. It promotes development where there is existing infrastructure and utilities, with greater pedestrian access to schools, civic facilities, retail or employment centers, and other destinations.

Housing Market Analysis

There are over 2.4 million occupied housing units in Massachusetts. Sixty-five percent of households own their homes, just slightly below the national average of 67 percent. The balance rent their homes, typically in structures of 1-4 units. Approximately 8 percent of the state's housing units are subsidized, (almost twice the national average) and another 70,000 households are assisted with tenant-based rent subsidies. Counting these tenant-based subsidies, one quarter of the state's renters benefit from some form of housing assistance. Still, Massachusetts has a serious and growing housing affordability problem.

The 2003 Annual Community Survey ranked the state as having the second highest median home value and the third highest median rent and monthly mortgage payment of all states in the continental U.S. The National Association of Realtors reported that Massachusetts was the third most expensive state in which to buy a home, and the National Low Income Housing Coalition proclaimed it the most expensive state in which to rent one. Over 32 percent of the state's homeowners and 47 percent of its renters paid more than 30 percent of their income for housing in 2003. More than one in ten homeowners and nearly than one in four renters paid over half of their income for housing.

Massachusetts has the 2nd highest percentage of housing units that were built before 1950 and the 2nd lowest percentage of units that were built since 1990. New housing is permitted at only 40 percent

of the national rate, and this lagging rate of production is a major reason home prices and rents have risen so dramatically. Between 1990 and 2000, the number of households grew by more than 9 percent, but the number of new housing units increased by only 6 percent. As a booming economy added jobs during the latter part of the decade, bringing new workers and increased affluence to the eastern part of the state, vacancy rates plummeted and rents and home prices rose rapidly. By 2000, homeowner and rental vacancy rates were the lowest in the country, and housing costs among the highest.

Home sales have remained strong despite the weakened economy of the last few years, bolstered by near record low mortgage interest rates that mitigate the impact of the state's high housing prices. 2003 was the strongest year on record for Massachusetts home sales. Prices have continued to rise, but the rate of appreciation has begun to slow and the supply of available units has increased. Mortgage delinquencies remain low, well below national levels.

Building permits rose in 2003, reversing four years of decline. They rose again in 2004 to the highest level in a decade. Unlike the decade of the 1990s, when Massachusetts experienced a net gain of only .75 new housing units for each new household, the state has gained 1.5 housing units for each new household since 2000. Production permitted under the state's affordable housing zoning statute, MGL Chapter 40B, and age-restricted housing units account for a significant part of the increase.

Housing and Community Development Needs

Because of the extraordinarily high housing costs in Massachusetts, many residents face severe housing needs, even though the state provides among the highest levels of housing assistance in the nation. While high housing costs tend to dominate the agenda, Massachusetts faces challenges on several other fronts as well:

- A growing number of the state's residents require adaptations to their homes and/or supportive services to live independently. Most are housed in the private market, in the case of the elderly, in homes they have occupied for many years.
- The housing inventory is old, making it costly to maintain and operate. Because of its age, much of the stock contains lead based paint.
- Winters are severe in New England and high fuel costs are embedded into the rents tenants pay or borne directly by homeowners.
- The publicly assisted housing stock is aging and much of it is in need of investment to preserve it as an affordable housing resource.
- Fiscal constraints have reduced the resources the state can make available to address these many needs.

The state's community development needs and priorities vary by region and by size and type of community, but several common themes emerge:

- There is an ongoing need for public facilities and infrastructure improvement. Ensuring the Commonwealth's competitiveness in the twenty-first century requires investment in

technology and telecommunications infrastructure as well as in traditional types of infrastructure (roads, sewers, etc.).

- The state's key competitive advantage is its well-educated, well-trained workers, and a "job ready" workforce must be prepared to take advantage of economic opportunities in expanding technologies; support systems must be put in place to enable them to prosper.
- Many municipalities lack the organizational infrastructure to plan for economic development and/or growth and look to the state for technical assistance and planning to assure that such growth translates into a high quality of life for all residents.
- The lack of affordable housing, especially in the eastern part of the state, is a major barrier to business growth and economic expansion.

Summary of Needs

- More than 550,000 extremely low and very low income Massachusetts households are paying a disproportionate amount of income for housing and/or are living in overcrowded or substandard conditions. Seventy-three percent of these households are renters. This number represents the state's unmet housing need.
- While there is some regional variation in need – and more frequently in priorities – all regions identified affordable housing, housing rehabilitation and preservation, and public infrastructure improvements as priorities during the Consolidated Planning process.
- Housing that is affordable, and accessible, to populations with special needs – and the resources to address their needs – are inadequate. The state's Departments of Mental Health and Mental Retardation are operating under several court decisions and settlements requiring them to expand community based housing services, reduce waiting lists and end the placement of clients in inappropriate or overly restrictive settings.
- There is an especially acute need for moderately priced rental housing, and homeownership opportunities in a range of prices, in areas of economic expansion and job growth.

Strategic Plan and Action Items

The \$58 million *per year* under the four HUD programs⁴ covered by the Consolidated Plan will complement the resources the Commonwealth provides directly through its operating and capital budgets and those that it marshals from other sources (e.g., its quasi-public agencies that provide financing and technical assistance, other federal programs, state and federal low income housing tax credits, Massachusetts lenders and philanthropies). The breakout by program is as follows:

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| ▪ CDBG | \$38,578,167 (Can only be spent in non-entitlement communities) |
| ▪ HOME | \$16,258,655 |
| ▪ ESG | \$ 2,534,851 |
| ▪ HOPWA | \$ 178,000 |

⁴ ADDI is considered part of HOME

During the period covered by this Consolidated Plan, the Commonwealth expects to have available the following additional resources *on an annual basis* for its housing production programs:

- \$123 million from state bonds (HIF, HSF, FCF, public housing modernization, affordable housing trust fund)
- \$11.9 million in federal and \$4 million in state low income housing tax credits
- \$25 million from other federal housing production programs (Section 202, 811)
- \$500 million in project financing from the state's quasi-public agencies